

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 FEA-01 PA-01 PRS-01 IO-13 CIAE-00
DODE-00 NSAE-00 NSCE-00 SSO-00 USIE-00 INRE-00
ERDA-05 AID-05 CEA-01 COME-00 EB-08 FPC-01 H-01
INR-07 INT-05 L-03 OMB-01 PM-05 OES-07 SP-02
SS-15 STR-05 TRSE-00 ACDA-07 /105 W
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O R 120605Z SEP 77
FM AMEMBASSY JIDDA
TO SECSTATE WASHDC IMMEDIATE 9567
INFO AMEMBASSY ABU DHABI
AMEMBASSY AMMAN
AMEMBASSY CAIRO
AMCONSUL DHAHRAN
AMEMBASSY DOHA
AMEMBASSY DAMASCUS
AMEMBASSY KUWAIT
AMEMBASSY MANAMA
AMEMBASSY TEL AVIV

C O N F I D E N T I A L JIDDA 6283

E.O. 11652: GDS
TAGS: ENRG, PFOR, SA, US
SUBJECT: YAMANI STATEMENT ON OIL POLICY

REF STATE 217567 (NOTAL)

1. YAMANI INTERVIEW WITH JAPANESE DELEGATION IS ACCURATELY
PARAPHRASED IN REFTEL, AND WAS EXTENSIVELY REPORTED IN PRESS
HERE. WE BELIEVE IT SHOULD BE SEEN AS LATEST AND MOST
EXPLICIT OF RECENT SAUDI STATEMENTS TO PRESS, DESIGNED TO
SENSITIZE WESTERN PUBLIC OPINION TO SAG CONCERNS OVER
PERCEIVED LOSS OF MOMENTUM IN MIDDLE EAST PEACE EFFORTS.

2. YAMANI LINKED FUTURE INCREASES IN SAUDI OIL PRODUC-
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TION TO TWO CONDITIONS: PEACE IN MIDDLE EAST, AND
TRANSFER OF TECHNOLOGY. HE NOTED THAT PRODUCTION CEILING
OF 8.5 MILLION B/D HAD BEEN SET TWO YEARS AGO AND THAT
KINGDOM IS NOW PRODUCING AT THAT RATE, BUT DID NOT
SPECIFICALLY STATE THAT THAT FIGURE WOULD BE BASE FOR
FUTURE PRODUCTION INCREASES. HE SAID SAG DID NOT NEED
TO USE PETROLEUM AS POLITICAL WEAPON; IT HAS USED IT

TWICE AS POLITICAL "TOOL" - ONCE IN 1973 TO REMIND WEST THAT IT NEEDED THE ARABS, AND AGAIN IN 1976 (DOHA) TO SHOW WEST THAT IT COULD TRUST ARABS. TRANSLATION OF PERTINENT PASSAGES FOLLOWS IN PARA 4.

3. YAMANI MADE BY NOW FAMILIAR STATEMENT THAT ARAMCO TAKEOVER ARRANGEMENTS WOULD BE RETROACTIVE TO JAN. 1976. HE ADDED THAT ARAMCO PARENTS WOULD HAVE THEIR ACCESS TO INCREMENTAL SUPPLIES OF CRUDE LIMITED BY THE AGREEMENT, AND ADVISED THE JAPANESE NOT TO DEPEND ON THE MAJOR OIL COMPANIES BUT TO NEGOTIATE WITH THE SAG FOR ADDITIONAL PETROLEUM NEEDS, SUBJECT TO THE CONDITIONS MENTIONED ABOVE. HE ALSO URGED JAPANESE (AND AMERICANS) TO SWITCH FROM PURCHASES OF ARAB LIGHT CRUDE TO HEAVEY AND MEDIUM GRADES.

4. FOLLOWING IS TRANSLATION OF SELECTED PASSAGES OF YAMANI INTERVIEW, AS REPORTED IN SEPTEMBER 10 AL MEDINA: BEGIN QUOTE. WE BELONG TO THE FREE WORLD, BUT WE HAVE A SERIOUS CONFLICT WITH IT CONCERNING OUR PROBLEM WITH THE ISRAELIS. THAT CONFLICT FORCED US TO USE OIL AS A POLITICAL TOOL, NOT A WEAPON, IN 1973, TO REMIND THE WEST OF THEIR NEED FOR OUR OIL. WE NEVER INTENDED TO HARM THE WEST, BUT WE WANTED TO REMIND THEM THAT THEIR ECONOMY DEPENDS ON THE ARABS, NOT THE ISRAELIS. IN 1976, OUR AIM WAS TO ASSURE THE WESTERN WORLD THAT THEY COULD
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TRUST AND DEPEND ON THE ARABS. IN THE KINGDOM, WE HAVE SUITABLE OIL RESERVES, BUT THEY ARE FIXED IN QUANTITY AND EVERY BARREL WE PRODUCE GOES AND NEVER COMES BACK. WE ARE PRODUCING 100 PERCENT MORE THAN WE NEED TO, AND THERE ARE SOME WHO QUESTION WHY WE ARE DOING SO WITHOUT ANY SUITABLE COMPENSATION. WE PRODUCE 8.5 MILLION B/D, WHICH IS THE LIMIT WE SET FOR OURSELVES TWO YEARS AGO. IN ORDER FOR OUR PETROLEUM PRODUCTION TO INCREASE IN FUTURE TO MEET INCREASING DEMAND IN THE INDUSTRIAL WORLD, TWO CONDITIONS MUST BE MET:

--FIRST, ACHIEVEMENT OF PEACE IN THE MIDDLE EAST. THE ISRAELIS SHOULD ACCEPT THAT PEACE, AND LIVE WITH US WITHIN THEIR 1967 BOUNDARIES. I WOULD FIND IT DIFFICULT TO SAY THAT, WITHOUT PEACE IN THE AREA, THAT PETROLEUM PRODUCTION COULD BE INCREASED...ISRAEL COULD NOT LIVE FOR A YEAR WITHOUT THE WESTERN WORLD. WE KNOW THAT AMERICA, A GREAT POWER, STANDS BEHIND ISRAEL. WE ALSO KNOW THAT AMERICA LEADS THE WESTERN STATES, INCLUDING JAPAN, AND YOU CAN TALK TO THE US ABOUT THIS. THE USG NOW CONSIDERS PEACE

TO BE IMPORTANT, AND WE HOPE ITS EFFORTS WILL BE
SUCCESSFUL.

--SECOND, ACHIEVEMENT OF TECHNOLOGY FOR THE KINGDOM.
WE REALIZE THAT THE OIL WE PRODUCE CANNOT BE RE-
PLACED, AND WE WANT TO TURN IT INTO SOMETHING
WHICH WOULD GIVE US REVENUE IN THE FUTURE WHEN
THE OIL IS DEPLETED. ONCE THE TECHNOLOGY HAS
BEEN OBTAINED, IT WILL BE EASIER FOR US TO
PRODUCE THE OIL IN AMOUNTS GREATER THAN OUR
NEEDS, AND IN ACCORDANCE WITH THE NEEDS OF THE
INDUSTRIAL STATES. THIS LEADS ME TO EMPHASIZE
THAT THE PRICE WHICH WE ASK FOR OUR OIL IS NOT
DOLLARS, BUT TECHNOLOGY, AND THAT WE WILL NOT
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GIVE OIL TO ANY COUNTRY WHICH DOES NOT GIVE US
WHAT WE NEED.

--WE DON'T NEED TO USE THE OIL WEAPON. IF WE
ONLY WANTED TO HOLD OUR PRODUCTION TO WHAT WE
ARE NOW PRODUCING, IT WOULD BE ENOUGH TO FACE
YOU WITH A CRISIS. THAT WOULD BE A VERY
STRONG WEAPON IN THE HANDS OF THE ARABS TO
PRODUCE PRESSURE ON ISRAEL. END QUOTE.
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